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**REDEVELOPMENT AGENCY
AND THE CITY OF OAKLAND
AGENDA REPORT**

TO: Office of the City/Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: November 3, 2009

RE: **Supplemental Report Presenting Alternative Resolutions Regarding a Loan to Secure the Historic 16th Street Train Station in West Oakland:**

- 1) Resolution Authorizing a Loan to the Restoration Association for Improving the Landmark 16th Street Station (RAILS) in an Amount Not to Exceed \$39,677 to Secure the Historic 16th Street Train Station in West Oakland**
- 2) Resolution Authorizing a Loan to the Restoration Association for Improving the Landmark 16th Street Station (RAILS), Secured by a Deed of Trust on the Property, in an Amount Not to Exceed \$39,677 to Secure the Historic 16th Street Train Station in West Oakland**
- 3) Resolution Amending Resolution No. 2008-0085 C.M.S. to Allow up to \$39,677 of the Predevelopment Loan to the Restoration Association for Improving the Landmark 16th Street Station (RAILS) to be Used for Securing the 16th Street Train Station in West Oakland**

SUMMARY

On October 27, 2009, the Community and Economic Development (CED) Committee heard a report from staff recommending the approval of a resolution to authorize a \$39,677 loan to the Restoration Association for Improving the Landmark 16th Street Station (RAILS) to secure the 16th Street Train Station in West Oakland. In addition to forwarding the original resolution to the City Council, the Committee asked staff to provide alternative legislation which would either 1) provide for a loan secured by a deed of trust on the property (currently owned by BUILD West Oakland), or a similar loan structure involving BUILD, or 2) amend Resolution No. 2008-0085 C.M.S. to allow up to \$39,677 of the previously-authorized \$400,000 predevelopment loan to RAILS to be used for securing the Train Station.

This supplemental report provides the alternative Agency resolutions requested by the Committee and discusses the issues involved with the proposed legislation.

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FISCAL IMPACT

A secured loan, which would be due and payable at the end of 15 years, would be paid back to the Redevelopment Agency out of project revenues into Oakland Army Operations Fund (9570), West Oakland Reuse Organization (88679), 16th Street Train Station Project (S235322).

Amending the terms of the existing predevelopment loan to include roofing and fencing work as eligible costs would have no fiscal impact.

KEY ISSUES AND IMPACTS

Secured Loan

Because RAILS has no financial assets, the Committee asked if BUILD West Oakland, the owner of the Train Station, could be more directly involved in a loan to secure the Train Station, either as the direct borrower, or as a guarantor or non-borrowing trustor of the loan to RAILS. Staff met with BUILD after the October 27th Committee discussion, and BUILD reiterates that it would refuse to accept a loan for the Train Station or to act as a guarantor to a RAILS loan. BUILD also refuses to secure the loan for the Train Station by a deed of trust on the property. Like any property owner, BUILD is required to maintain its property in compliance with City code requirements; however, there is no legal basis to force BUILD to accept a loan or otherwise participate in the financing to secure its property.

Amending the Terms of the Predevelopment Loan

The Committee considered amending the terms of the existing predevelopment loan as another alternative to authorizing a new loan to RAILS. The Agency authorized a \$400,000 unsecured predevelopment loan to RAILS in 2008 to complete a feasibility analysis. A sufficient balance remains in the predevelopment loan to complete both the feasibility analysis and the improvements needed to secure the Train Station. Table 1 shows line items in the predevelopment loan budget which could be reallocated. However, staff does not recommend this alternative, as it would largely eliminate the contingency funds for the feasibility analysis, which were included as a safety margin in the event of unanticipated expenses.

Table 1

Predevelopment Loan Budget	
Line Item	Amount
Environmental Hygienist	\$13,000
Appraisal	\$10,000
Contingency	\$28,000
Total Available for Reallocation	\$51,000

The Agency will not provide additional funding to cover any uncompleted tasks budgeted in the predevelopment loan. RAILS must finish the feasibility analysis as scheduled.

RECOMMENDATION AND RATIONALE

Staff recommends that the Agency authorize a loan to RAILS in an amount not to exceed \$39,677 to secure the historic 16th Street Train Station in West Oakland, as proposed in the original resolution presented to the October 27 CED Committee. The loan would enable RAILS to prevent further deterioration of the Train Station and allow RAILS to direct its predevelopment loan solely toward completing the feasibility analysis.

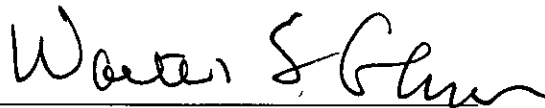
ALTERNATIVE RECOMMENDATION

Should the Agency not wish to provide the new loan referenced above, staff recommends that the Agency instead amend Resolution No. 2008-0085 C.M.S. to allow up to \$39,677 of the predevelopment loan to RAILS to be used for securing the 16th Street Train Station in West Oakland. A sufficient balance remains in the predevelopment loan to complete both the feasibility analysis and the needed improvements to the Train Station

ACTION REQUESTED OF THE CITY COUNCIL/AGENCY

Staff recommends that the Agency authorize a loan to the Restoration Association for Improving the Landmark 16th Street Station (RAILS) in an amount not to exceed \$39,677 to secure the historic 16th Street Train Station in West Oakland.

Respectfully submitted,

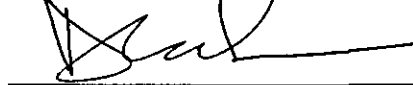


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Al Auletta
Redevelopment Area Manager

Prepared by:
Hui Wang
Urban Economic Analyst, Redevelopment Division

APPROVED AND FORWARDED TO
THE CITY COUNCIL:



Office of the City/Agency Administrator

Item: _____
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Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

RESOLUTION AUTHORIZING A LOAN TO THE RESTORATION ASSOCIATION FOR IMPROVING THE LANDMARK 16TH STREET STATION (RAILS), SECURED BY A DEED OF TRUST ON THE PROPERTY, IN AN AMOUNT NOT TO EXCEED \$39,677 TO SECURE THE HISTORIC 16TH STREET TRAIN STATION IN WEST OAKLAND

WHEREAS, the 16th Street Train Station in West Oakland (the "Train Station"), located within the Oakland Army Base Redevelopment Project Area ("Project Area"), is a landmark structure that has played an important role in the cultural history of Oakland; and

WHEREAS, BUILD West Oakland owns the Train Station; and

WHEREAS, on June 7, 2005, the City Council of the City of Oakland ("City Council") adopted the Wood Street Zoning District, which applies to the 29.2-acre site that includes the Train Station; and

WHEREAS, the Wood Street Zoning District established Conditions of Approval that govern how development is to occur within the District; and

WHEREAS, under Condition of Approval #59, the Restoration Association for Improving the Landmark 16th Street Station ("RAILS"), a nonprofit corporation, was formed to oversee the rehabilitation and reuse of the Train Station; and

WHEREAS, under Condition of Approval #55, RAILS must take measures to prevent deterioration or vandalism of the Train Station that would occur in the absence of the measures; and

WHEREAS, a site assessment of the Train Station indicates that roofing and fencing work are necessary to protect the Train Station from further damage; and

WHEREAS, without these measures, unchecked deterioration could increase the cost of rehabilitating the Train Station; and

WHEREAS, RAILS requests financial assistance from the Redevelopment Agency to help cover the cost of these protective measures; and

WHEREAS, the funds are available from the Agency's Oakland Army Base Redevelopment Project Area; now, therefore, be it

RESOLVED: That the Agency hereby authorizes the Agency Administrator or his or her designee to provide a loan in an amount not to exceed \$39,677 to RAILS, or to an affiliated entity approved by the Agency Administrator or his or her designee, to be used for roofing and fencing work for the Train Station; and be it

FURTHER RESOLVED: That a total of \$39,677 will be allocated from the Oakland Army Base Redevelopment Operations Fund (9570), West Oakland Base Reuse Organization (88679), 16th Street Train Station Project (S235322) for this purpose; and be it

FURTHER RESOLVED: That the term of the loan shall be for fifteen (15) years at a simple interest rate of three percent, with repayment of the loan from excess cash flow beginning when RAILS has completed the redevelopment of the Train Station and is generating revenues from the development, and with the loan balance due at the end of the term; and be it

FURTHER RESOLVED: That the loan shall be secured by a deed of trust on the Train Station property with BUILD West Oakland as trustor; and be it

FURTHER RESOLVED: That loan funds shall be disbursed only for costs actually incurred by RAILS based on invoices submitted to the Agency; and be it

FURTHER RESOLVED: That the making of the loan shall be contingent on and subject to such other terms and conditions as the Agency Administrator or his or her designee may establish; and be it

FURTHER RESOLVED: That all loan documents shall be reviewed and approved by Agency Counsel for form and legality prior to execution, and copies shall be placed on file with the Agency Secretary; and be it

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or his or her designee to conduct negotiations, execute documents, administer the loan, extend or modify the repayment terms, and take any other action with respect to the loan consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES – KERNIGHAN, NADEL, QUAN, DE LA FUENTE, BROOKS, REID, KAPLAN, AND
CHAIRPERSON BRUNNER

NOES –

ABSENT –

ABSTENTION –

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

FILED
OFFICE OF THE CITY CLERK
OAKLAND

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Approved as to form and legality



Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO. 2008-0085 C.M.S. TO ALLOW UP TO \$39,677 OF THE PREDEVELOPMENT LOAN TO THE RESTORATION ASSOCIATION FOR IMPROVING THE LANDMARK 16TH STREET STATION (RAILS) TO BE USED FOR SECURING THE 16TH STREET TRAIN STATION IN WEST OAKLAND

WHEREAS, the 16th Street Train Station in West Oakland (the "Train Station"), located within the Oakland Army Base Redevelopment Project Area ("Project Area"), is a landmark structure that has played an important role in the cultural history of Oakland; and

WHEREAS, on June 7, 2005, the City Council of the City of Oakland ("City Council") adopted the Wood Street Zoning District, which applies to the 29.2-acre site that includes the Train Station; and

WHEREAS, the Wood Street Zoning District established Conditions of Approval that govern how development is to occur within the District; and

WHEREAS, under Condition of Approval #59, the Restoration Association for Improving the Landmark 16th Street Station ("RAILS"), a nonprofit corporation, was formed to oversee the rehabilitation and reuse of the Train Station; and

WHEREAS, pursuant to Redevelopment Agency Resolution No. 2008-0085 C.M.S., the Redevelopment Agency authorized a predevelopment loan of up to \$400,000 to RAILS to complete a feasibility analysis of Train Station redevelopment options; and

WHEREAS, a site assessment of the Train Station indicates that roofing and fencing work are necessary to protect the Train Station from further damage; and

WHEREAS, without these measures, unchecked deterioration could increase the cost of rehabilitating the Train Station; and

WHEREAS, RAILS requests that the Agency amend the terms of the predevelopment loan to include roofing and fencing work as eligible costs; and

WHEREAS, a sufficient balance remains in the predevelopment loan to complete both the feasibility analysis and the needed improvements; now, therefore, be it

RESOLVED: That Resolution No. 2008-0085 C.M.S. is hereby amended to authorize the Agency Administrator or his or her designee to allow up to \$39,677 of the predevelopment loan to RAILS to be used for roofing and fencing work to secure the Train Station; and be it

FURTHER RESOLVED: That loan funds for this use shall be disbursed only for costs actually incurred by RAILS based on invoices submitted to the Agency; and be it

FURTHER RESOLVED: That the Agency hereby authorizes the Agency Administrator or his or her designee to negotiate and execute an amendment to the loan documents and take any other action with respect to the loan consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES – KERNIGHAN, NADEL, QUAN, DE LA FUENTE, BROOKS, REID, KAPLAN, AND
CHAIRPERSON BRUNNER

NOES –

ABSENT –

ABSTENTION –

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California.